

## **Audit Committee minutes**

### **Thursday 1 February 2018**

#### **Members:**

Ailsa Beaton (chair)	Non-Executive Director
Roger Barlow	Independent Audit Committee member
Jane McCall	Non-Executive Director

#### **Attendees:**

##### ICO

Paul Arnold	Deputy CEO
Louise Byers	Head of Risk and Governance
Elizabeth Denham	Information Commissioner
Heather Dove	Head of Finance

##### Internal Auditors

Phil Keown	Grant Thornton
Paul Eckersley	Grant Thornton

##### External Auditors

Matthew Atkinson	NAO (by telephone)
David Eagles	BDO
Mark Coleman	BDO

##### Secretariat

Peter Bloomfield	Senior Corporate Governance Manager
Caroline Robinson	Corporate Governance Officer

## **1. Introductions and apologies**

- 1.1. Paul Keane NAO was unable to attend the meeting due to other commitments.

## **2. Declaration of interests**

- 2.1. There were no declarations of interest.

### **3. Matters arising from the previous meeting**

- 3.1. The minutes were confirmed as being accurate.
- 3.2. Peter Bloomfield advised the committee that all of the actions from earlier meetings had been cleared, and provided an update on steps taken to promote staff behaviour documents such as the Staff Code.

### **4. Commissioner's update**

- 4.1. Elizabeth Denham highlighted the amount of work the ICO faced at present, in particular in respect of monitoring the progress of the Data Protection Bill through Parliament, guidance and tool-kit development, the new SME helpline and testing of the new data breach hotline. Jane McCall commented that feedback from other organisations she was involved with on ICO guidance and tools had been very positive.
- 4.2. The new funding regime was expected to commence on 25 May with the Statutory Instrument expected to be laid on 20 February. Current notifications with the Commissioner had recently reached 500,000. Expected fee rates had been used to model ICO income over the next few years. This has been based on the assumption that there would be no increase in numbers of data controllers registering for prudency, though this will be kept under review.
- 4.3. Elizabeth Denham advised the committee of progress in staffing and resourcing issues. The governance around decisions on pay was discussed with the need to be transparent about changes and the evidence for them, and the affordability of any changes going forward. In addition the Management Agreement with the DCMS would be changed to reflect the current position.
- 4.4. It was confirmed that the Information Rights Strategic Plan was being reviewed for 2018/19 and pay changes had been factored into the draft 2018/19 budget. The presence of a three year plan and budget would support the statement in the Annual Report and Accounts that the ICO was a going concern.

### **5. Risk and opportunity register**

- 5.1. Louise Byers talked through the main changes to the strategic risk and opportunity register. The biggest priority was the opportunity to develop the ICO's culture alongside

the changes in processes. Risks had also increased in the areas of producing GDPR guidance and in meeting stakeholder expectations. Recruitment and retention risks also remained a concern.

5.2. In addition continuing uncertainty as the date for the UK leaving the EU gets closer and a lack of clarity over transitional arrangements has heightened the risk for the ICO in this area.

5.3. Risks arising from the expected expansion of the office, including the practicalities of recruiting and inducting so many new staff were raised and discussed.

## 6. Finance

### December finance report

6.1. Heather Dove explained that the ICO remained on track to spend to forecast at year end. There were areas of uncertainty, especially around legal costs, and expenditure in such areas was being closely monitored.

6.2. Cash flow was also on track; there had been no drop in registrations and growth was about 7%.

### IFRS update

6.3. Heather Dove provided a note on the introduction of new financial standards. The new standard on leases would apply to the ICO but not this financial year.

**Action point: Peter Bloomfield to put on the Audit Committee work programme an annual review of any accounting standards at the January meeting.**

## 7. Outstanding audit recommendations

7.1. Peter Bloomfield introduced the register of outstanding audit recommendations. One recommendation had been added, one cleared and one remained outstanding. The outstanding recommendation related to consideration of whether or not the ICO would benefit from BS10008 on the evidential weight and legal admissibility of electronic information.

7.2. The Audit Committee noted the need to ensure that dates agreed for the completion of audit recommendations were realistic.

## 8. Internal audit

### Internal audit update

- 8.1. Grant Thornton provided an update on progress against the internal audit plan. In respect of the expenses review the field work had been completed but management needed to consider the report further. It was noted that the review as it stood did demonstrate that the ICO was compliant with HMRC rules on expenses.
- 8.2. Fieldwork on the Corporate Governance and Risk Management review had been completed and the review would come to management for comments soon.
- 8.3. Planning was ongoing for the GDPR follow up review.
- 8.4. Grant Thornton advised that they expected to be able to bring the outstanding reviews and a draft audit opinion to the April Audit Committee.

**Action point 2: Grant Thornton to bring the outstanding reviews to Audit Committee on 27 April along with a draft audit opinion for 2017/18.**

### IT Procurement review

- 8.5. Grant Thornton summarised the results of the IT procurement review. The recommendation, that the ICO include the need for performance metrics in contracts for services they are procuring, had been broadened to cover all procurements. Management expected the recommendation to be cleared in respect of IT procurements by the deadline of 31 May.

## 9. External audit

- 9.1. BDO introduced the audit planning report for 2017/18. Audit risks were detailed in the areas of management override of controls, early terminations and implementation of the EU data protection reforms (GDPR). BDO noted that materiality had also increased.
- 9.2. [Redacted]
- 9.3. The expected net deficit position for 2018/19 had been discussed with management side and both auditors and management were working on explanatory wording for the Annual Report and Accounts.
- 9.4. It was confirmed that the June Audit Committee meeting provided the opportunity for the committee to

provide their assurance to the Information Commissioner as Accounting Officer.

- 9.5. Appendix seven of the report covered preventing and detecting fraud. The Committee was asked if it had any knowledge of any actual or suspected fraud. In response the Committee confirmed that it had none, and that it received quarterly reports on fraud, whistleblowing and security incidents.
- 9.6. In respect of follow up on previous recommendations BDO confirmed that the only outstanding issue was the Management Agreement with the DCMS.

## 10. Fraud, whistleblowing and security

- 10.1. The report on fraud, whistleblowing and security incidents covering quarters two and three was presented to the committee.
- 10.2. [Redacted]
- 10.3. It was confirmed that Louise Byers would be the ICO's data protection officer.
- 10.4. Audit committee asked for more information to be included in the report on the scale of the incident, eg an incident involving a complainant would include figures on the total number of complainant transactions; to give the context.

**Action point 3: Peter Bloomfield to ensure the report provides context on the scale of any security incident in future.**

## 11. Any other urgent business

- 11.1. The procurement of the internal audit function was discussed by the committee.
- 11.2. The timing of the next committee meeting was to be reviewed.

**Action point 4: Peter Bloomfield to contact committee members and attendees to seek views on moving the next meeting forward.**

